United Nations A/AC.255/L.1

General Assembly

Distr.: Limited
28 May 1999

Original: English

Ad Hoc Open-ended Working Group of the General Assembly on Financing for Development

Draft report of the Ad Hoc Open-ended Working Group of the General Assembly on Financing for Development*

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* The final report of the Ad Hoc Open-ended Working Group on Financing for Development will be issued as *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 28* (A/54/28).

99-16468 (E) 080699

I. Introduction

1. At its fifty-second session, the General Assembly adopted resolution 52/179, entitled "Global partnership for development: high-level international intergovernmental consideration of financing for development", in which the Assembly decided, *inter alia*:

(a) To consider at its fifty-fourth session the convening of a summit, international conference, special session of the General Assembly or other high-level international intergovernmental forum on financing for development, not later than 2001;

(b) To convene a resumed fifty-second session in order to obtain the views of Governments on the inputs required from a broad range of stakeholders, both within and outside the United Nations system, as well as the views of delegations on key elements that might be addressed;

(c) To request the Secretariat to prepare, for the fifty-third session of the General Assembly, both an Index Report identifying the recurring themes and key elements proposed by a broad range of stakeholders and a report on the work of the United Nations to address financing for development.

2. At its fifty-third session, the General Assembly adopted resolution 53/173, entitled "High-level international intergovernmental consideration of financing for development" in which the Assembly:

(a) Recalled its decision in resolution 52/179 to create a working group to undertake for the fifty-fourth session of the General Assembly an in-depth examination of all the inputs referred to above, with a view to formulating a report containing recommendations on the form, scope and agenda of the final event;

(b) Requested the President of the General Assembly to make various arrangements regarding the working group to ensure the submission of specific recommendations to the Assembly at its fifty-fourth session;

(c) Requested the Bureau of the Second Committee, with the assistance of the Secretariat, to organize appropriate briefings or panel discussions.

II. Organization of the sessions

3. The Ad Hoc Open-ended Working Group on Financing for Development held its first session on 17 December 1998 under the chairmanship of the President of the General Assembly. The Vice-Chairpersons of the Working Group chaired the second session (9–11 February 1999), third session (4 May 1999) and fourth session (28 May 1999). Two informal sessions of the Working Group were held on 16–19 March 1999 and 5–8 April 1999 to undertake an in-depth examination of the inputs with a view to formulating a report containing recommendations on the form, scope and agenda of the high-level intergovernmental event in 2001.

4. The following United Nations bodies were represented: the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF).

5. The following specialized agencies and intergovernmental organizations were represented: the Food and Agriculture Organization of the United Nations (FAO), the International Labour Organization (ILO), the International Monetary Fund (IMF), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Bank and the World Health Organization (WHO).

6. The following intergovernmental organizations were represented by observers: the European Commission (EC).

7. The Working Group had before it the following documents:

(a) Note by the Secretary-General on the high-level international intergovernmental consideration of financing for development: recurring themes and key elements (the Index Report) (A/53/470);

(b) Report of the Secretary-General on the high-level international intergovernmental consideration of financing for development: work of the United Nations system (A/53/479).

8. The Vice-Chairpersons sent letters with relevant background material to all Permanent Representatives on:

(a) 18 February 1999, including, as an attachment, the Index Report;

(b) 8 March 1999;

(c) 27 April 1999, including, as an attachment, "An Overview of the In-depth Discussions at the Informal Meetings on the Key Elements of the Index Report" and "A Consolidated Paper to Assist in Further Consideration of the Scope of the Planned Event";

(d) 10 May 1999, including, as an attachment, the draft report of the Working Group;

(e) 27 May 1999, including, as an attachment, a revised draft report of the Working Group.

9. The Working Group also had access to the relevant documentation and contributions by outside experts on the Financing for Development Web Site (www.un.org/esa/analysis/ffd).

10. At the first session of the Working Group, the President of the General Assembly designated Ernst Sucharipa, Permanent Representative of Austria, and Kamalesh Sharma, Permanent Representative of India, as Vice-Chairpersons.

11. At the second session, opening statements were made by the Secretary-General, the President of the General Assembly and the President of the Economic and Social Council. During the three-day session (9–11 February 1999), formal statements were also made by 36 delegations. The Working Group then scheduled eight informal meetings to review each of the "major elements" identified in the Index Report (A/53/470). The eight topics were divided into two groups of four, with discussions on the first group arranged for the week of 16–19 March 1999 and discussions on the second group for the week of 5–8 April 1999.

12. At the third session, the Working Group heard statements by 31 delegations. Following this session, the Working Group held informal consultations from 12 to 14 and on 27 May 1999 to hear the views of delegations on the results of the informal meetings as provided by the Vice-Chairpersons and to exchange views on the potential format of the final event and the preparatory process. The Vice-Chairpersons asked Mr. Libran Cabactulan, Minister of the Permanent Mission of the Republic of Philippines to the United Nations, to serve as a facilitator in the informal process.

13. At the fourth session, the Working Group heard statements by nine delegations. It adopted its report on 28 May 1999.

14. As requested by the General Assembly, the Bureau of the Second Committee hosted two panels in support of the work of the Working Group. On 15 March 1999, the first panel brought together two business leaders and two leaders from non-governmental organizations to address the first four "key elements". The panellists were from Deutsche Bank, Lehman Brothers, the Center of Concern and the Fifty Years is Enough Coalition. The second panel was held on 1 April and focused on the second set of the four "key elements". The participants were from the International Center for Law in Development, the Israel Infinity Venture Capital Fund, the Department of Government at Harvard University and the Center for International Environmental Law.

III. Scope and agenda of the event

15. The high-level intergovernmental event for the year 2001 will address national, international and systemic issues relating to financing for development in a holistic manner in the context of globalization and interdependence. By so doing, the event will also address development through the perspective of finance.

16. Within this overall context, the event should also address the mobilization of financial resources for the full implementation of the outcome of major conferences and summits organized during the 1990s by the United Nations and of the Agenda for Development[1] and in particular for poverty eradication.

17. The Working Group recommends that the scope of the event should be as follows:

(a) Domestic financial resources;

(b) International resources: trade, foreign direct investments and other private flows;

(c) International financial cooperation for development, including official development assistance (ODA) and debt relief;

(d) Enhancing coherence and consistency of the international monetary, financial and trading systems in support of development and avoidance of international financial crisis and excessive financial volatility, and enhancing effective participation and integration of developing countries and countries with economies in transition in the global economic system, including through capacity-building;

(e) Special needs of Africa, least developed countries, small island developing States, landlocked developing countries and other developing countries with special difficulties in attracting financing for development.

18. The Working Group undertook an in-depth examination of inputs concerning financing for development, as requested by the General Assembly in its resolutions 52/179 and 53/173, with a view to formulating recommendations on the agenda of the prospective high-level international event in 2001. The discussions that took place in two informal sessions were rich, intense, constructive and conducted in a positive and participatory spirit. The annex to the present report reflects the ideas, issues, experiences and so forth that were brought up by delegations during exchanges and that provide the basis for further discussions on an agenda for the event in 2001,

within the scope as defined above, in the substantive preparatory process which is expected to begin in 2000.

19. The annex elaborates on the following eight items:

1. Mobilizing domestic resources for development;
2. Mobilizing international private financial flows for development;
3. International financial cooperation for development;
4. External debt (bilateral, multilateral and commercial);
5. Financing for development and trade;
6. Innovative sources of financing;
7. Governance of the international monetary, financial and trade systems;
8. Interrelationship between major elements and other special topics.

IV. Form of the event

20. We have an opportunity to begin the new millennium with a historic and goal-oriented collective political gesture of global solidarity for development and practical commitment to achieving it. To be successful, however, the momentum that is building at the United Nations will have to be nurtured and made to include all our prospective partners. An inclusive and continuing preparatory process will increase awareness and build international support and participation while it deepens the substance of the final event. Without prejudice to the decision that might be taken on the form of the final event, discussions have so far indicated consensus on the features that should characterize both the preparatory process and the final event, as follows:

(a) The final event should be a high-level intergovernmental meeting of political decision makers, at least at the ministerial level;

(b) The final event needs to have a comprehensive agenda that would attract the attention of diverse national departments and ministries, for example, of finance, commerce, development, foreign affairs and so forth;

(c) Both the final event and the preparatory process should involve participation by all relevant stakeholders, including interactive and other innovative modalities for exchange of views;

(d) Both the final event and the preparatory process should involve as active partners IMF and the World Bank;

(e) Both the final event and the preparatory process should include participation by all other relevant parts of the United Nations system, particularly the specialized agencies and regional bodies, and the World Trade Organization as well as other international organizations that are working on specialized aspects of financing for development;

(f) The final event could be a self-standing event linked with the General Assembly, including a high-level segment of three to four days' duration;

(g) The high-level segment itself should be preceded by an effective and participatory preparatory stage;

(h) Both the final event and preparatory process should have a high level of public and media visibility and public awareness.

V. The preparatory process

21. In order to prepare for the high-level intergovernmental international event in 2001, the Working Group feels that it would be desirable to establish a substantive preparatory process which draws on the successful experiences of this Working Group. This preparatory process should be open to all States Members of the United Nations, members of specialized agencies, participation of observers and so forth, and should report to the General Assembly at its fifty-fifth session on the progress of work.

Notes

[1] General Assembly resolution 51/240 of 20 June 1997, annex

Annex

Ideas, issues and experiences that provide the basis for further discussion on an agenda for the event in 2001 as identified by the Ad Hoc Open-ended Working Group of the General Assembly on Financing for Development in informal discussions

I. Mobilizing domestic resources for development

(a) External factors' crucial impact on capacity for the mobilization of domestic resources; role in situations of high rates of mobilization of domestic resources; risk and opportunities of globalization; financial liberalization; role of international actions; and the role of trade;

(b) Internal enabling environment: policy framework incentives for domestic private savings, equitable tax systems (development and enforcement of), macroeconomic policies, disincentives to corruption; good governance; transparency; effective regulatory and supervisory framework for the financial sector; banking infrastructure, pension funds; corporate governance; internationally accepted accounting standards, and a sound legal system (land and property rights);

(c) Allocation of public expenditure: hard infrastructure (for example, water, sanitation, electricity, transport and communications), human development and capacity-building (for example, education and training, health, environment and women);

(d) Special issues related to least developed countries and Africa: low monetization, weak banking infrastructure, capacity-building, innovative mechanisms, microfinancing/ microcredit, and credit for rural populations.

II. International private financial flows for development

(a) Foreign direct investment (FDI): need to spread FDI more widely and to diversify private capital flows in order to reduce country/sector concentration, strengthened contribution of FDI for domestic capacity-building and national development goals, role of South-South flows, reasons for marginalization of countries with a "sound investment environment";

(b) Alliances between government and business as well as international organizations (for example, the International Finance Corporation (IFC)); promotion of innovative mechanisms (for example, bond financing, securitization, municipal financial arrangements, reduction in capital flight, privatization; investment guarantees; support for public goods);

(c) Moral hazard: "bailing in" private creditors; high social costs, burden-sharing between creditors and debtors, government liability for private sector borrowing;

(d) Interrelations of international policies and international private flows accounting standards, prudential norms and standards, home country policies and programmes to facilitate international capital flows, trade in currencies, modalities to reduce risks, and linkages between the financial sector and the real economy;

(e) Role and impact of foreign portfolio investment;

(f) Financial stability as a public good: long-term and short-term measures to address instability/contagion/prevention;

(g) Participation of developing countries in standard-/norm-setting.

III. International financial cooperation for development

(a) Crucial role of official development assistance (ODA): concern at decline; need to link aid to effectiveness and efficiency of use; patterns and quantum of flow and objectives important; improved coordination among donors; longer-term, predictable commitments; enhanced flexibility; fulfilment of 0.7 per cent target; overcoming donor fatigue; and the special issues of least developed countries and Africa;

(b) Use of ODA for reinforcing "developing countries" potential for better access to global markets, and poverty eradication, leveraging larger levels of domestic or foreign private capital;

(c) Optimal partnership between domestic resources, ODA, trade, FDI and so forth;

(d) Emphasize other forms of international financial cooperation for development: export/import credits, loans from international financial institutions, trade financing and so forth.

IV. External debt

(a) Need to tackle, where appropriate, bilateral, official, multilateral and private debt (criteria for assessing extent of debt relief; special issues of least developed countries/Africa/heavily indebted poor countries; debt relief to provide lasting exit from debt problems, forgiving aid-related bilateral debt for least developed countries, need to improve creditworthiness, and the reduction of spreads in new lending);

(b) Preventive measures to avoid unsustainable public and private debt, including defining and disclosing warning signals, and technical cooperation on debt management;

(c) Moral hazard issues: "bailing in" of creditors, inequitable debt burdens, low-income countries that, with difficulty, service their debt regularly;

(d) Regulation of commercial debt market: irresponsible lending practices, availability of loan information, and the potential applicability of principles of United States bankruptcy law to external debt procedures.

V. Financing for trade and development

(a) Generating and enabling market access; role of Governments in creating an appropriate enabling environment for trade; improved integration into global markets;

(b) All aspects of capacity-building/technical assistance particularly for trade negotiations and dispute settlement;

(c) Systematic issues: coherence between multilateral trade, financial and monetary systems and regimes; coherence of policies on trade and development; role of ODA in facilitating better access to global markets;

(d) Regional cooperation/integration, including North-South and so forth and expansion of global trade: role of regional mechanisms such as clearing house and so forth; integration of national trade policies in regional trade arrangements, compatibility with multilateral trade arrangements;

(e) Interlinkages between trade and finance, trade and exchange rates, trade and public finance, financial crisis and trade adjustment, the benefits of trade liberalization;

(f) Impact of tariff reduction on tax revenue, public expenditure, social expenditure, public debt;

(g) Commodity issues: instability of prices, modalities to address commodity prices, compensatory financing mechanisms/commodity agreements, value-added exports, diversification, risk management, improving production structures;

(h) Trade financing (for example, financial instruments to promote trade/capacity-building, financing of trade liberalization as a public good, and export/import credits).

VI. Innovative sources of funding

(a) National level innovative financial instruments: use of venture capital funds, source taxation, loan and credit funds, and pension funds;

(b) Global-level innovative instruments: global taxes, levies, tax exemptions, tax incentives;

(c) Promotion of national and international private partnerships (financing small infrastructure projects, leveraging private flows with public funds, creative use of guarantees, privatization, convertible development bonds, build-operate-transfer, microfinancing, role of development cooperation in such partnerships, debt-for-poverty-eradication swaps);

(d) Policies/institutional environment conducive to financial innovations (role of fiscal instruments in stimulating financial innovations, positive experience in use of market-based funding instruments, and capacity-building/technical assistance for the development of new mechanisms).

VII. Governance of international monetary and financial and trade systems

(a) Issues relating to the international financial architecture, early warning, prevention and response capabilities;

(b) Coherence between international trade, financial and monetary systems and regimes;

(c) Role of United Nations in assisting and complementing the work undertaken in the appropriate international institutions subject to respect for division of labour between the relevant bodies;

(d) Capacity-building particularly for least developed countries in strengthening the financial and banking sectors and the institutional and regulatory frameworks for these sectors;

(e) Development of appropriate standards;

(f) Governance of international system: decision-making, accountability, transparency;

(g) Enhanced and equitable participation of broad range of actors, developing countries, engagement with private sector;

(h) Gathering and disseminating information on financial flows;

(i) Liquidity issues: lender of last resort, role of special drawing rights (SDRs), lending into arrears and so forth.

VIII. Interrelationship between the major elements and other special topics

(a) Holistic process to various issues in financing for development process. Intensified policy interrelationships as a result of globalization and enhanced interdependence,

liberalization of various factors of production, except labour (issues of distortion, competitiveness and comparative advantage arising from this);

(b) Science and technology, information technologies, communications and electronics revolution, global public goods;

(c) Development of open trade policies and establishment of sound macroeconomic financial frameworks;

(d) Creating an enabling environment, particularly through education, training and institution-building, improvement in legal systems to ensure access to productive resources by both women and men, and other aspects of social and economic infrastructure;

(e) Essential role of United Nations for widening the resource base and achieving the maximum impact from resources;

(f) Financing for development to provide political impetus to the implementation of the commitments agreed at the United Nations conferences which provide a comprehensive development agenda; need for consistent and integrated policies at all levels to mobilize and use resources to attain agreed goals of United Nations conferences;

(g) Resources to assist as-yet-to-emerge markets and emerging markets in strengthening national capacities to mobilize and manage various types of finance;

(h) Development of common set of internationally agreed indicators measuring both input and output;

(i) Increased dialogue with private sector.